

AMENDED IN SENATE SEPTEMBER 4, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 650

Introduced by Assembly Member Perea

February 24, 2015

An act to amend ~~Section 19596.2~~ *Sections 19607.2 and 19607.3* of the Business and Professions Code, relating to horse ~~racing~~, *racing*, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 650, as amended, Perea. ~~Horse racing; out-of-state thoroughbred races; Blue Grass Stakes.~~ *Horse racing; thoroughbred racing; northern zone; auxiliary offsite stabling, training, and vanning.*

(1) The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

This bill would increase the amount that is required to be deducted to an amount not to exceed 2% and would provide that this amount, if

adjusted by the board, may be a different percentage of the handle for different associations and fairs but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the northern zone. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to pay the organization's expenses and compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the northern zone, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year.

The bill would also require that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the northern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the northern zone subject to specified conditions. The bill would authorize the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified. The bill would provide that the board shall reserve the right to adjudicate any disputes that arise regarding costs, or other matters, relating to the furnishing of offsite stabling, training, or vanning, as specified.

(2) By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(4) This bill would declare that it is to take effect immediately as an urgency statute.

~~The Horse Racing Law authorizes a thoroughbred racing association or fair to distribute the audiovisual signal and accept wagers on the results of out-of-state thoroughbred races conducted in the United States during the calendar period the association or fair is conducting a race meeting, including days on which there is no live racing being conducted by the association or fair, without the consent of the organization that represents horsemen and horsewomen participating in the race meeting and without regard to the amount of purses. Under that law, the total number of thoroughbred races imported by associations or fairs on a statewide basis under these provisions are required to not exceed 50 per day on days when live thoroughbred or fair racing is being conducted in the state, with the exception of prescribed races, including races imported that are part of the race card of the Kentucky Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont Stakes, the Jockey Club Gold Cup, the Travers Stakes, the Arlington Million, the Breeders' Cup, the Dubai Cup, the Arkansas Derby, the Apple Blossom Handicap, or the Haskell Invitational.~~

~~This bill would exempt from the 50 imported race per day limitation, races imported that are part of the race card of the Blue Grass Stakes.~~

Vote: ~~majority~~^{2/3}. Appropriation: no. Fiscal committee: ~~no~~^{yes}. State-mandated local program: ~~no~~^{yes}.

The people of the State of California do enact as follows:

1 SECTION 1. Section 19607.2 of the Business and Professions
2 Code is amended to read:
3 19607.2. Notwithstanding Section 19605.8, when satellite
4 wagering is conducted on thoroughbred races at associations or
5 fairs in the northern zone, an amount not to exceed ~~1.25~~ 2 percent
6 of the total amount handled by all of those satellite wagering
7 facilities, shall be deducted from the funds otherwise allocated for
8 distribution as commissions, purses, and owners' premiums and
9 instead distributed to an organization formed and operated by
10 thoroughbred racing associations, fairs conducting thoroughbred
11 racing, and the organization representing thoroughbred ~~horsemen,~~
12 ~~with each party having meaningful representation~~ horsemen and
13 horsewomen, for use pursuant to Section 19607.3. A vote of the
14 organization representing thoroughbred horsemen and
15 horsewomen shall constitute 50 percent of all voting interests on
16 the board of the ~~organization, to administer, pursuant~~ organization

1 ~~formed and operated to supervision of administer the board, a fund~~
2 ~~to provide reimbursement for offsite stabling at board-approved~~
3 ~~auxiliary training facilities of fund. The other 50 percent of all~~
4 ~~voting interests shall be allocated among thoroughbred racing~~
5 ~~associations or and fairs for additional stalls beyond the number~~
6 ~~of usable stalls the association is required to make available and~~
7 ~~maintain pursuant to Section 19535, conducting thoroughbred~~
8 ~~racing in a manner that provides meaningful representation on~~
9 ~~the governing board of the organization for starter fees~~
10 ~~thoroughbred racing associations and for the vanning of starters~~
11 ~~from these additional stalls on race days for thoroughbred horses.~~
12 ~~fairs conducting thoroughbred racing, except as provided in~~
13 ~~subdivision (h) of Section 19607.3.~~

14 SEC. 2. Section 19607.3 of the Business and Professions Code
15 is amended to read:

16 19607.3. (a) ~~The~~Notwithstanding Section 19535, the funds
17 distributed to the organization formed pursuant to Section 19607.2
18 shall be used to ~~reimburse racing associations that are operating~~
19 ~~offsite stabling providing additional stalls pay the organization's~~
20 ~~expenses and compensate the provider of a board-approved~~
21 ~~auxiliary offsite facility for stabling, training, and vanning of~~
22 ~~thoroughbred horses in the northern zone. The organization~~
23 ~~administering the auxiliary offsite stabling and training facility~~
24 ~~and vanning program shall submit its proposed financial and~~
25 ~~operational plans for the incremental increase in operating costs~~
26 ~~directly resulting from providing the stabling. upcoming calendar~~
27 ~~year to the board for review no later than November 1 of the~~
28 ~~preceding year. Neither the organization administering the~~
29 ~~auxiliary offsite stabling and training facility and vanning program~~
30 ~~nor any of the entities forming and operating the organization,~~
31 ~~except the entity operating the auxiliary offsite stabling and~~
32 ~~training facility where the injury occurred, shall be liable for any~~
33 ~~injury to any jockey, exercise person, owner, trainer, or any~~
34 ~~employee or agent thereof, or any horse occurring at any auxiliary~~
35 ~~offsite stabling and training facility.~~

36 (b) The funds shall also be used to ~~reimburse horsemen for cover~~
37 ~~all or part of the cost of vanning starting thoroughbred horses~~
38 ~~from a board-approved auxiliary training facility operated by a~~
39 ~~racing association or fair offsite stabling and training facility to~~
40 ~~the track conducting the racing meeting. Horsemen may use carriers~~

1 ~~of their own choice, except that to start in a thoroughbred race at~~
2 ~~a thoroughbred or fair racing meeting in the amount northern~~
3 ~~zone. The organization shall determine the extent of reimbursement~~
4 ~~to horsemen is limited to the amount and manner in which~~
5 ~~compensation will be paid for thoroughbred horses that the~~
6 ~~organization determines is generally charged by carriers for~~
7 ~~vanning are vanned from the auxiliary training facility to the track~~
8 ~~or the fair conducting the thoroughbred or fair racing meeting.~~
9 Neither the organization administering the *auxiliary* offsite stabling
10 and training facility and vanning program nor any of the entities
11 forming and operating the organization, except ~~the~~ *an* entity
12 actually engaged in vanning horses, is liable for any injury
13 occurring to any individual or horse during vanning from an offsite
14 stabling and training facility.

15 (c) ~~The training auxiliary offsite stabling and training facilities~~
16 ~~and the amenities provided for offsite stabling and training~~
17 ~~purposes shall be substantially equivalent in character to those~~
18 ~~provided during by the thoroughbred racing meetings of~~
19 ~~association or fair conducting the association racing meeting.~~

20 (d) *In order to ensure the long-term availability of facilities for*
21 *offsite stabling and training, the organization may enter into*
22 *multiyear contracts for auxiliary facilities in the northern zone.*
23 *The organization shall submit to the board for its approval the*
24 *multiyear contracts that it enters into with providers of auxiliary*
25 *facilities for offsite stabling and training. Contracts not*
26 *disapproved by the board within 60 days of submittal to the board*
27 *shall be deemed to have been approved by the board.*

28 (e) *At the request of the board, the organization shall submit a*
29 *report detailing all of its receipts and expenditures over the prior*
30 *two fiscal years and, upon request of any party within the*
31 *organization, those receipts and expenditures shall be audited by*
32 *the board.*

33 ~~(d) Upon the request of any party within the organization, the~~
34 ~~board shall adjudicate any dispute regarding costs, or other matters~~
35 ~~relating~~

36 (f) ~~In addition to the furnishing uses of offsite stabling or~~
37 ~~vanning. The board may, if necessary, appoint an independent~~
38 ~~auditor to assist the funds described in the resolution of disputes.~~
39 ~~The auditor shall be reimbursed from the subdivisions (a) and (b),~~

1 *the organization may use the funds for both of the organization.*
2 *following:*

3 ~~(e) The organization may maintain~~

4 *(1) Maintain a reserve fund of up to 10 percent of the total*
5 *estimated annual vanning and auxiliary offsite stabling and training*
6 *facility costs. In addition to the reserve fund, if the funds generated*
7 *for the auxiliary offsite stabling and training facilities and vanning*
8 *are insufficient to fully reimburse racing associations or fairs for*
9 *expenses incurred during cover the offsite vanning and stabling*
10 *program, expenses incurred, the organization may may, in the*
11 *future, accumulate sufficient funds to fully reimburse cover those*
12 *associations or fairs for those expenses.*

13 *(2) Pay back commissions, purses, and owners' premiums to*
14 *the extent the deductions made pursuant to Section 19607.2 exceed*
15 *in any year the amount of funds necessary to achieve the objectives*
16 *of the organization.*

17 ~~(f)~~

18 *(g) The amount initially deducted and distributed to the*
19 *organization shall be 0.5 percent of the total amount handled by*
20 *satellite wagering facilities authorized under this article in the*
21 *northern zone on thoroughbred racing, but that allocation may*
22 *pursuant to Section 19607.2 may, at the request of the organization,*
23 *be adjusted by the board, in its discretion. However, the adjusted*
24 *amount may not exceed 1.25 2 percent of the total amount handled*
25 *by satellite wagering facilities, facilities. The amount deducted*
26 *and distributed to pay expenses the organization as adjusted by*
27 *the board may be a different percentage of the handle for different*
28 *associations and maintain fairs conducting thoroughbred racing*
29 *meetings in the reserve fund for northern zone, but only if all the*
30 *continuing support of associations and fairs agree to the program.*
31 *differing percentages.*

32 *(h) A thoroughbred racing association or fair in the northern*
33 *zone that is able to provide the minimum number of stalls required*
34 *by its racing meeting license without the use of any auxiliary offsite*
35 *stabling and training facility and vanning program may opt out*
36 *of that program, in which case the deduction described in Section*
37 *19607.2 shall not apply during the live racing meeting conducted*
38 *by the association or fair until such time as the association or fair*
39 *opts back into the auxiliary offsite stabling and training facility*
40 *and vanning program. Any thoroughbred racing association or*

1 fair in the northern zone that opts out of the auxiliary offsite
2 stabling and training facility and vanning program shall not have
3 any voting interest therein until such time as the association or
4 fair opts back into the program. The organization shall establish
5 reasonable procedures and timelines for the giving of notice to
6 the organization by a thoroughbred racing association or fair that
7 elects to opt out of the auxiliary offsite stabling and training facility
8 and vanning program.

9 (i) The board shall reserve the right to adjudicate any disputes
10 that arise regarding costs, or other matters, relating to the
11 furnishing of offsite stabling, training, or vanning. Notwithstanding
12 any other law, the board shall maintain all powers necessary and
13 proper to ensure that offsite stabling, training, and vanning, as
14 provided for in this article, is conducted in a manner that protects
15 the public and serves the best interests of horse racing.

16 SEC. 3. No reimbursement is required by this act pursuant to
17 Section 6 of Article XIII B of the California Constitution because
18 the only costs that may be incurred by a local agency or school
19 district will be incurred because this act creates a new crime or
20 infraction, eliminates a crime or infraction, or changes the penalty
21 for a crime or infraction, within the meaning of Section 17556 of
22 the Government Code, or changes the definition of a crime within
23 the meaning of Section 6 of Article XIII B of the California
24 Constitution.

25 SEC. 4. This act is an urgency statute necessary for the
26 immediate preservation of the public peace, health, or safety within
27 the meaning of Article IV of the Constitution and shall go into
28 immediate effect. The facts constituting the necessity are:

29 At current levels, there are insufficient funds to maintain an
30 auxiliary offsite stabling and training facility and vanning program
31 at racing meetings of thoroughbred horses conducted by
32 thoroughbred racing associations or fairs. Therefore, in order to
33 raise sufficient funds before the winter thoroughbred horse racing
34 season begins, it is necessary that this act take effect immediately.

35 SECTION 1. Section 19596.2 of the Business and Professions
36 Code is amended to read:

37 ~~19596.2. (a) Notwithstanding any other law and except as~~
38 ~~provided in Section 19596.4, a thoroughbred racing association~~
39 ~~or fair may distribute the audiovisual signal and accept wagers on~~
40 ~~the results of out-of-state thoroughbred races conducted in the~~

1 United States during the calendar period the association or fair is
2 conducting a race meeting, including days on which there is no
3 live racing being conducted by the association or fair, without the
4 consent of the organization that represents horsemen and
5 horsewomen participating in the race meeting and without regard
6 to the amount of purses. Further, the total number of thoroughbred
7 races imported by associations or fairs on a statewide basis under
8 this section shall not exceed 50 per day on days when live
9 thoroughbred or fair racing is being conducted in the state. The
10 limitation of 50 imported races per day does not apply to any of
11 the following:

12 (1) Races imported for wagering purposes pursuant to
13 subdivision (c).

14 (2) Races imported that are part of the race card of the Kentucky
15 Derby, the Kentucky Oaks, the Preakness Stakes, the Belmont
16 Stakes, the Jockey Club Gold Cup, the Travers Stakes, the
17 Arlington Million, the Breeders' Cup, the Dubai Cup, the Arkansas
18 Derby, the Apple Blossom Handicap, the Blue Grass Stakes, or
19 the Haskell Invitational.

20 (3) Races imported into the northern zone when there is no live
21 thoroughbred or fair racing being conducted in the northern zone.

22 (4) Races imported into the combined central and southern zones
23 when there is no live thoroughbred or fair racing being conducted
24 in the combined central and southern zones.

25 (b) Any thoroughbred association or fair accepting wagers
26 pursuant to subdivision (a) shall conduct the wagering in
27 accordance with the applicable provisions of Sections 19601,
28 19616, 19616.1, and 19616.2.

29 (c) No thoroughbred association or fair may accept wagers
30 pursuant to this section on out-of-state races commencing after 7
31 p.m., Pacific standard time, without the consent of the harness or
32 quarter horse racing association that is then conducting a live racing
33 meeting in Orange or Sacramento Counties.